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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
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Dr. Donald Ratajczak, Director
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BOTH RECESSION AND INFLATION WORRIES PERSIST

Anyone who thought the recession would end following the victory in the Middle East received a rude awakening with the 206,000 job loss for March. Moreover, the initial claims suggest that activity continued to deteriorate in the two weeks following the victory. Consumer sentiment and stock prices clearly rebounded, contributing 75% to the gain in the leading indicators for February and probably a similar amount to a similar gain in March; but these are the psychological variables. Orders remain soft. Indeed, industrial production probably will fall enough to drop capacity utilization to 78.5% in March. Normally, orders begin to be canceled once utilization rates fall below 78%.

So far, this recession has been surprisingly labor intensive. More than 1.5 million payroll jobs have been lost since last July, the probable start of the downturn. This is more job loss than half the eight previous recessions since world war II. However, industrial production has only fallen 7.5% from the cyclical peak. Only two other postwar recessions have suffered lesser declines in the industrial sector. More tellingly, the average peak to trough drop in GNP has been 2.1% in the postwar period. With the downward revised 1.6% drop for the fourth quarter at annual rates (0.4% from peak), declines of more than 4% during the first quarter and 3% during the spring would be needed merely to be average. We still believe such declines are not likely.

However, the case for the continuation of the recession is strengthening. Not only are manufacturing orders, and therefore activity, at a critical juncture, but the surge in consumer sentiment could easily evaporate if unemployment continues to rise. Even the traditional lead of housing activity may be more closely related to springlike weather in February than to any unbundling of households who could not or would not finance housing at higher mortgage rates. While affordability is up and mortgage rates are down, mortgage rates have been stalled by the absence of further interest rate initiatives by the Federal Reserve.

COLLEGE OF BUSINESS ADMINISTRATION
GEORGIA STATE UNIVERSITY
UNIVERSITY PLAZA
ATLANTA, GEORGIA 30303-3083
404-651-3282

The one continually strong sector, international sales, also is becoming increasingly fragile. World economies are beginning to slow. While American producers remain competitive, the recent surge in the dollar's value has reduced that competitive advantage. Purchasing power parity (where goods cost the same in terms of exchange adjusted currencies at home and abroad except for transactions and transportation costs) is rapidly approaching in Europe. We estimate that a mark between 1.8 and 1.9 to the dollar would achieve that relationship. The yen probably would also achieve such status near 160 to the dollar.

If purchasing power parity is achieved while the United States continues to run high monthly deficits in its trade accounts, the dollar probably would resume its decline. That eventually would restore competitiveness to American producers. In the meantime, however, international sales should grow more slowly.

Thus, the economic recovery is not assured. Nevertheless, the Federal Reserve has hesitated to provide more stimulus because the money stock has begun to grow in recent weeks following months of little growth. More significantly, some inflationary pressures have resurfaced. This, in turn, has caused long-term interest rates to rise, a sign of rising inflationary fears. However, these fears are not yet justified.

The acceleration in the money stock could be nothing more than poor seasonal adjustment factors, especially in February. In the last five Februaries, money growth has been exceptional relative to the preceding and succeeding month. Although new seasonal factors are gradually removing this effect, another February distortion probably developed. Moreover, even with rapid gains in February and March, M2 growth for the quarter will remain a sluggish 3.4% annualized rate of growth. Despite more rapid gains in the monetary base and in currency, no surge in money growth appears to be developing. Instead, high currency use, probably abroad, has been exhausting most of the growth in the monetary base. Of course, continuation of rapid money growth would create problems, but the March gains appear to be within Federal Reserve targets, and no acceleration of money growth is occurring at the end of the month.

Also concerning investors, however, is the acceleration in inflation once food and energy prices are removed. Unquestionably, this "core inflation" has spurted by 0.8% in January and 0.7% in February in the CPI. However, half this gain has been the result of higher government fees, such as postal rates, and turnpike tolls, higher property and sales taxes, and increased excise taxes on alcohol, tobacco products, and luxury items. Some increases in imported goods account for another couple of ticks in the index. While those gains in import prices are related to earlier weakness of the dollar, the dollar's recent strength soon should slow price gains for clothing, autos, and entertainment commodities. Therefore, too much has been said about this measure of "core inflation."

A better measure of underlying inflation is the change in labor costs. To be sure, recessions lead to poor productivity gains, as production falls below desired levels. Therefore, unit labor costs have not yet subsided. However, labor costs slow at the end of recessions and so do inflationary pressures. Even with a 5 cent surge in March, the hourly earnings index is growing less than 3%. Most wage surveys show a half point decrease in wage gains from last fall's survey and from a year ago. The employment cost index almost certainly will slow from previous year levels during the first quarter. Furthermore, the hourly earnings index actually has slowed from a previous year twelve month gain of 4.2% to a current gain of 3.2%. All of this suggests that underlying inflation has slowed by at least half a percent, just as one would expect from a recession. Unfortunately, investors continue to assume that core inflation will dictate inflationary trends once the recovery begins. As a result, they have overstated the inflationary risk.

Unfortunately, so has the Federal Reserve. Without further efforts to liquify the economy, this recession could deepen further. Money growth soon would vanish under such circumstances, while the dollar would continue to strengthen from the money restraint.

Indeed, both the bond and stock markets have been too enthusiastic about the impending recovery. Long-term bonds have increased half a percent from their lows, although some rate declines have reappeared in recent weeks. Stock prices have soared on the assumption that corporate profits soon would rebound. Indeed, profits have been surprisingly robust for a recession. Normally, profits fall twice as fast as real economic activity. However, after tax profits actually increased in the fourth quarter. The gains were caused by substantial returns

from international investments. Because those economies were beginning to slow, most of these gains probably reflect unusually strong currency translation gains. If the corporations remained as unhedged in the currency markets during the first quarter, the strong dollar will reverse these gains. Therefore, substantial amounts of adverse earnings surprises could surface.

Even so, the surprisingly strong profit performance during the fourth quarter indicates that adjusted profits did better than expected. Therefore, stock prices should not have declined at the annualized 21% that they did. Rather some modest gains in stock valuations would have been justified. Of course, uncertainties from the war are responsible for the poor equity performance at that time. As those uncertainties have been removed, some gains in equity value were inevitable. When those adjustments following the removal of wartime uncertainty are added to falling interest rates and a strengthening dollar (which should increase the equity demand of foreign investors), significant gains in equity value should have been expected during the winter. Of course, the gains have been even more significant than one would predict, with the New York composite reaching 208 in recent days. Our model suggests that prices near that level can be justified, but even these levels require an early end to the recession. If the recession lingers, a substantial correction in the stock market cannot be ruled out. Therefore, stock values probably are due for some consolidation in the next few months. The multinational corporations are especially vulnerable, because they have benefitted substantially from dollar weakness and will be slowed by dollar strength.

On balance, an early recovery from this recession still appears to be the most likely outcome. The housing market is rebounding, mortgage rates have fallen, consumer sentiment has improved significantly, and inflation has been trailing wage gains in recent months. To be sure, most of these gains in purchasing power are caused by falling energy prices, which have run their course. Nevertheless, more money remains in the pockets of consumers than last fall, when energy prices were exhausting spending power. Thus, a consumer led recovery remains the most likely outcome. But enough uncertainty persists to slow the enthusiasm for this forecast.

Monthly Statistical Highlights

	MARCH 1991	APRIL 1991	MAY 1991
Payroll Employment		-27,000	24,000
Index of Hours Worked		-0.1%	0.0%
Household Employment		-18,000	-6,000
Civilian Unemployment Rate		6.9%	7.0%
Personal Income	0.3%	0.3%	0.4%
Savings Rate	4.4%	4.4%	4.3%
Personal Consumption	0.3%	0.5%	0.5%
Retail Sales	0.2%	0.4%	0.4%
Auto Sales	8.4*	8.4*	8.5*
Housing Starts	-3.8%	2.1%	2.3%
Housing Permits	-2.5%	1.7%	3.4%
Construction Expenditures	-0.6%	0.5%	0.7%
Business Inventories	0.3%	0.3%	0.3%
Orders for Durable Goods	-0.2%	0.8%	-0.7%
Orders - Nondefense Capital Goods	-2.2	-1.3%	-2.1%
Industrial Production	-0.2%	0.2%	0.2%
CPI	0.4%	0.2%	0.3%
PPI	0.2%	0.2%	0.2%
Consumption Deflator	0.3%	0.3%	0.2%
Leading Indicators	1.1%	0.3%	-0.2%
Currency Index	3.7%	1.0%	-0.5%
Equity Index	0.7%	3.2%	0.6%
Real GNP (annual rate)	-2.9%	3.6%	0.9%
M1 (annual rate)	5.7%	6.2%	4.9%
M2 (annual rate)	6.6%	6.0%	6.1%

* auto sales in millions

COMMENTARY

EMPLOYMENT-The Employment Situation for March showed greater weakness than had been expected. Payroll employment fell 206,000 and the hours worked fell by 0.7%. Weakness was widespread with the diffusion index at 39.5%. Clearly, the recession did not end in March. Moreover, the initial claims for the reporting week showed the largest claims of the recession while the insured unemployment rate rose to 3.3%, a full 1.5 percentage points above its cyclical low. The unemployment rate rose to 6.8%, 1.8 percentage points above its cyclical low (but less than the 2.5 percentage point average rise for postwar recessions). Sluggish labor force growth prevented the unemployment rate from rising higher. This employment performance indicates that hours worked has fallen more during the first quarter than in the fourth quarter. Also, the quarter has ended at a low point, probably suggesting the second quarter will register negative growth in hours worked. As a result, a decline in second quarter GNP cannot be ruled out.

Unfortunately, the hourly earnings rose by 5 cents, although a similar rise a year ago did not change the 12 month change in that measure. This might indicate that the workweek did not fall as sharply as reported, or that wage inflation is beginning to reappear. The gains were most substantial in the financial sector, which could be nothing more than the firing of lower paid personnel. Certainly, substantial salary increases in the finance sector is not likely at this time.

PERSONAL INCOME AND OUTLAYS-Wage and salary earnings were less than expected for February. Such payments almost certainly will be less in the winter than in the fall. Also, property income has come to a halt, as interest income has begun to fall. However, some gains in farm subsidies generated a moderate gain in personal income. Certainly, no surge in income is likely in March, although the higher hourly earnings will offset the reduction in employment and in the workweek. Because outlays rebounded in durables and services in February, savings fell by $10 billion. Nevertheless, the uncertainties of the war clearly caused a shift in the savings schedule, which contributed to the magnitude of economic weakness. Moderate unwinding of that savings is likely in the months ahead, but the savings rate is unusually low for the beginning of an economic expansion. Thus, the consumer driven recovery also will be weak.

Despite a rebound of durable consumption in February, no surge in auto sales was apparent for March. Assuming the nonauto durables rebounded in February because of favorable weather (which tends to encourage remodeling and refurnishing) some backsliding is expected here in the next few months. Nevertheless, the collapse of activity in January because of the CNN effect (everyone was watching CNN about the war instead of spending and even working), some recovery is expected during the second quarter. However, job growth will be needed to sustain these purchases into the summer. Sluggishness in nondurables was especially surprising, because the weakness was not only because of falling gasoline prices. However, weakness in service expenditures is the result of springlike weather that caused less consumption of utilities than normal. A rebound in such expenditures is likely next month. After inflation, consumption is falling almost as much during the winter as in the fall.

CONSTRUCTION-Housing starts finally rebounded from unusually low levels in February. However, almost all the gain was in the Midwest, where unseasonal weather may have been more important than rising consumer sentiment and falling mortgage rates. However, the rise in permits suggests that January may have been the bottom for housing construction. Even with relatively large percentage gains in subsequent quarters, housing starts still will average only slightly more than a million, the lowest level since the severe recession of 1974.

While housing is beginning its traditional leading role in the economic recovery, activity was so low in January that construction will contribute more weakness to economic activity in the winter than in the fall. Expenditures on residential construction should only stabilize in the spring before adding to activity in the summer. Despite a sharp rebound in public construction in February, activity there has plunged for the quarter. Some rebound is expected next quarter, although budgetary restraints may prevent any substantial rebound in those activities. Nonresidential construction did not snap back in February despite more favorable weather. With hours worked in construction falling sharply for March, another quarter of sharp declines for this activity is likely. Weakness was widespread but was especially significant in commercial and retail construction. Our estimates of an early, albeit modest rebound in this sector may be optimistic.

The construction weakness has prevented any price gains for construction product. This is one sector that clearly is reflecting disinflationary tendencies. A modest rebound in prices is likely as housing begins to revive, but no significant surge in construction costs is likely before next year.

BUSINESS ACTIVITY-Activity appears to have fallen more sharply here than in any other sector during the quarter. Therefore, fixed investment almost certainly fell more sharply during the first quarter than in the fourth quarter. Aircraft orders are slowing and production is peaking. As auto shipments have slowed, this has led to a sharp falloff in transportation equipment shipments. Also, machinery shipments have weakened, while the latest manufacturing report suggests that computer equipment also is sluggish. Primary metals orders fell sharply following the US Steelworkers' contract agreement with USX, and activity may remain sluggish until inventories are reduced during the spring. Despite the war in the Persian Gulf, defense shipments also fell. Indeed, durable defense goods may rebound even less than expected, as tanks and planes need less replacement than missiles and shells. The latter are included in nondurables, despite the use of durable goods industry equipment to produce many of them. **Industrial production** fell more during the winter than in the fall, and may fall more than currently contained in our tables. As mentioned earlier, the plunge in capacity utilization could lead to order cancellations. This would dramatically reduce backlog and lead to further weakness in the capital goods industry. Some shrinkage in the backlog already is projected for the spring.

Currently, our projections show schizophrenic behavior in inventories. Partially as a result of price changes, manufacturing inventories are falling during the winter following modest gains in the fall. However, business inventories are rising. Some of this reflects unintended inventory accumulation at the retail level while inventories have been restrained by manufacturers. However, this data is the least complete for the winter quarter. Therefore, revisions may show closer correspondence between the two series. Because of the slowing in inventory valuation, inventory investment will not fall as much this quarter as in the fall.

PRICES-Although some of the inflationary pressures are caused by government taxes and fees, inflation clearly is not slowing as rapidly as expected. Most of the energy price decline has occurred. Therefore, our previous estimate that prices would grow most slowly during the spring is not likely. Producer prices already have completed their deflation. Consumer prices never moderated significantly excluding energy, although some easing can be constructed if the government effects are removed.

Currently, the spurt in durable goods prices in February is assumed to be an aberration. Clearly, further surges of that magnitude would require much higher price estimates in the next few months. Prices of nondurables have slowed less than expected and the energy effects are ending. If inflation becomes a problem, it will probably occur here first. It is noteworthy that service inflation has not intensified in the quarter despite surges in lodging and finance charges.

Of course, the **GNP deflator** will grow much more sharply during the winter, as composition effects are not expected to be favorable. The fixed weighted deflator should improve modestly, but distortions in the trade deflators still should generate a surge in the deflator. Despite some acceleration in durable goods prices in the next year, overall inflation still appears to be moderating slightly in the next twelve months.

MISCELLANEOUS-Falling oil prices should substantially improve the trade balances this quarter. However, the volume of oil should be rising, suggesting that the trade sector will not add to economic activity in the winter, as it did in the fall. Currency values are rebounding, and should increase sharply during the spring before interest rate differentials overcome slowing international economies to restore dollar weakness later in the year. Nevertheless, after falling to $80 billion this year, the merchandise trade deficit could remain near those levels next year. Therefore, the stimulus from the trade sector could easily evaporate, while the dollar's strength certainly could reverse course before the year is out.

February's rebound in the leading indicators may generate modest gains for the quarter. This could be the start of the economic recovery, although the psychological variables currently dominate the gains. A stutter in the spring certainly is possible.

Despite inflationary worries, our estimates of the IVA show substantial improvement this year. Some of the strong gains will be reversed this summer as prices stabilize for energy materials. Nevertheless, real growth in inventories is likely to stimulate economic activity by summer.

The surge in adjusted profits while economic activity declined in the fall requires some explanation. This upward revision occurred because operating profits before taxes fell by only $8 billion instead of the $17 billion expected. This was largely the result of higher expenditures than originally reported for the fourth quarter. (Because most other income items are reported before profits, any upward revision in expenditures necessarily leads to an upward revision in operating profits.) Clearly, the modest decline in profits during the first quarter of a downturn is surprising. Apparently, vigorous cost cutting is responsible for this result. Also, the composition of profits was changed from earlier estimates to include a sharp $10 billion gain in profits abroad. Because of tax treaties most of these profits already paid taxes where they were generated and therefore do not pay taxes in the United States. Thus, adding to profits from the rest of the world leads to no change in tax liabilities at home.

The rebound in profits abroad appears to be caused by greater dollar exposure than in the past. As a result, the falling dollar converted the marks, yen and other profits into more dollars. A reverse of this pattern is likely in the winter unless more currency hedges were established. (The dramatic reversal of IBM's earnings during the fall and winter may partially reflect this currency translation.)

However, because profits were stronger than previously expected, stock values were not falling to reflect eroding profit opportunities but reflect the uncertainties of war. Removing those uncertainties appropriately led to explosive growth in equity values.

Our estimates currently show the last declining month of GNP in March. The rebound in April reflects gains in consumption, construction, and trade activity. If some of those sectors do not improve, however, the recovery will be delayed. Clearly, March could be the last month of recession, but more information is needed to make that determination.

FINANCIAL MARKETS

Inflationary fears certainly led to the rebound in long-term interest rates following a low early in February. The poor performance of the core inflation began the rebound of interest rates, but the rates have not rebounded sharply. Part of this may be caused by the reduced cost of holding bond inventories as short-term rates continue to decline. However, changes in interest rates also must be factored into bond holdings for inventory purposes by dealers. The more likely explanation is that sufficient liquidity is available to allow further reductions in short-term and long-term rates.

Because of the war's short duration, its costs will be minimal to American taxpayers. Therefore, the $318 billion deficit excluding social security surpluses and including borrowing to acquire the assets of failed thrifts will be close to the actual deficit. (For national income accounts purposes, which measures the resource displacement of government borrowings, social security surpluses should be included and purchases of other assets should be excluded. On this basis, the deficit will average about the same this year as last year.) Once the recovery begins, the deficit will fall, although other borrowings may offset any interest rate relief that a declining deficit otherwise would generate. Thus, government borrowings should not add more to interest rate pressures than already is being exerted. Some relief may actually surface early next year.

Corporate borrowings currently are low as capital spending is falling and inventories continue to be liquidated. To be sure profits are not strong, but they are stronger than in other recessions of this magnitude. Therefore, some moderation in interest rate pressures currently is being created by corporate behavior. When inventory rebuilding reappears later this year, some upward pressure upon interest rates may develop, although these expenditures normally are lagged until the recovery is assured.

Consumers, who saved even as incomes weakened, probably will offset the favorable credit conditions from the corporate sector. Mortgage activity already is improving. Soon, consumers will be adding to other borrowings, although credit outstanding declined for the third consecutive month in February. Even so, no surge in consumer borrowing is expected. Therefore, only a gradual upward drift in interest rates would be expected from this activity.

Now that the dollar is rallying and European prospects are dimming, international investors again are being attracted to American assets. They clearly have been influential in the equity markets and also may have increased their purchases of bonds. This should hold into the summer. Then a dollar reversal again could lead to capital withdrawals.

When all these factors are considered, interest rates should continue declining through the spring. If the Federal Reserve refuses to accommodate this decline, money growth again will slow, jeopardizing the recovery. However, the Federal Reserve is expected to ease short-term rates further to prevent such problems. This should allow a further decline in the prime rate during the spring along with modest further decreases in other short-term interest rates. Long-term interest rates also should resume their downward drift into the summer. Of course, the gap between the federal funds rate and commercial paper rates would need to narrow again to show that interest rate pressures again are easing. Such a narrowing already may have begun.

EQUITY MARKETS-The revised corporate profits for the fourth quarter indicates that equity values should have rallied sharply once wartime uncertainties declined. However, the dollar exposure of foreign earnings makes the Dow stocks especially vulnerable to earnings surprises as they announce their winter quarter earnings. Profit-taking in that group certainly is recommended.

Even so, if interest rates resume their decline this spring, further gains in equity values are likely. However, our model suggests that a New York composite index of 208 will not be supported by economic conditions until early next year. A forward looking market, such as the stock exchange, should anticipate those gains, but current values appear to be ahead of current conditions. Therefore, a period of stock market consolidation is likely. However, a pullback to 200 on the composite index, or 2860 on the Dow may constitute a short-term buying opportunity that would provide moderate short-term gains.

Cyclical stocks still should be avoided along with the capital goods stocks unless they are niche players, such as medical technology. Utilities and financial stocks are promising, although the latter already has rebounded sharply. Value remains in the lower capitalized stocks, where growth is being rewarded with only half the premium that is available to the Blue Chips.

Food and lodging companies will show especially weak first quarters because of the war and CNN effects. However, they may be good values for appreciation in the spring and summer. Airline stocks also show some promise at current prices. Secondary technology issues along with software issues continue to provide value, although serious study is necessary in this rapidly changing area.

Consumer stocks that are not multinational should also do well, as the consumer begins spending. Some consumer durable companies may have promise if their multinational holdings are not substantial, such as some furniture companies.

The market should continue to move forward, but the direct path upward will flatten considerably in the next few months.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
October	110432		123.1		117733		5.7	10.12	
November	110165	-1.7	123.4	-4.4	117386	-0.9	5.9	10.14	2.1
December	110004		124.0		117574		6.1	10.19	
January 1991	109771		121.9		116922		6.2	10.20	
February	109587	-2.1	122.3	-4.4	116918	-2.2	6.5	10.20	2.1
March	109453 *		122.2 *		116873 *		6.6 *	10.21 *	
April	109426		122.1		116855		6.7	10.24	
May	109450	-0.5	122.1	-0.0	116849	-0.2	6.8	10.26	2.4
June	109489		122.2		116863		6.9	10.29	
July	109524		122.3		116905		6.9	10.31	
August	109563	0.4	122.4	1.0	116943	0.3	6.9	10.33	2.8
September	109607		122.6		117022		6.9	10.36	
October	109684		122.7		117081		6.9	10.39	
November	109743	0.6	122.8	1.2	117224	0.7	6.8	10.41	3.1
December	109792		122.9		117221		7.0	10.44	
January 1992	109843		123.0		117286		7.0	10.47	
February	109904	0.6	123.1	1.0	117329	0.5	7.0	10.50	3.4
March	109986		123.2		117384		6.9	10.53	
Chng Mar(92)/Mar(91)		0.5		0.8		0.4	0.8 #		3.1
Chng Mar(91)/Mar(90)		-0.6		-1.8		-1.2	0.3 #		2.8

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	4.696		2.732		152.5		3.982		3.830	
November	4.716	3.5	2.732	0.8	166.1	-9.7	4.001	3.2	3.835	3.9
December	4.743		2.754		183.9		4.022		3.839	
January 1991	4.724		2.738		187.3		4.005		3.817	
February	4.736	1.6	2.742	0.4	177.1	36.5	4.017	1.5	3.840	0.2
March	4.751 *		2.746 *		178.8 *		4.030 *		3.851 *	
April	4.770		2.754		177.2		4.045		3.868	
May	4.788	4.6	2.763	3.3	173.7	-11.4	4.060	4.5	3.886	5.3
June	4.812		2.777		176.0		4.080		3.904	
July	4.835		2.790		177.7		4.100		3.922	
August	4.857	5.7	2.803	5.6	179.8	6.4	4.118	5.6	3.938	5.6
September	4.878		2.815		177.7		4.135		3.958	
October	4.901		2.829		178.9		4.155		3.976	
November	4.925	5.6	2.844	5.8	182.1	0.5	4.176	5.5	3.994	5.8
December	4.944		2.855		174.8		4.190		4.015	
January 1992	4.966		2.866		180.6		4.213		4.032	
February	4.989	5.5	2.880	5.5	184.0	11.3	4.236	6.0	4.052	5.8
March	5.014		2.897		185.9		4.257		4.071	
Chng Mar(92)/Mar(91)		5.5		5.5		4.0		5.6		5.7
Chng Mar(91)/Mar(90)		3.4		2.8		-14.4		2.9		3.9

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.
is the percentage change in the labor force

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	3720.5		474.6		1216.2		2029.8		2675.6	
November	3725.6	4.0	468.7	-10.1	1219.3	3.7	2037.6	7.0	2672.3	-3.4
December	3728.6		462.2		1212.5		2053.9		2672.8	
January 1991	3707.4		441.0		1204.7		2061.7		2646.1	
February	3729.8	0.1	458.2	-13.7	1202.3	-3.9	2069.3	6.0	2657.4	-3.0
March	3740.7 *		455.5 *		1204.8 *		2080.4 *		2656.3 *	
April	3757.9		457.1		1209.2		2091.6		2661.5	
May	3775.5	5.4	459.4	6.7	1212.7	3.1	2103.4	6.5	2667.6	2.1
June	3793.5		460.4		1217.4		2115.7		2672.8	
July	3811.3		462.9		1221.0		2127.4		2677.8	
August	3827.4	5.7	465.4	5.8	1223.5	3.6	2138.5	6.9	2681.1	2.2
September	3846.7		468.3		1227.1		2151.4		2686.8	
October	3865.0		470.8		1230.9		2163.2		2691.4	
November	3882.5	5.9	472.2	6.8	1235.7	3.9	2174.6	6.9	2694.8	2.1
December	3903.5		476.7		1240.0		2186.8		2701.9	
January 1992	3920.2		478.3		1243.5		2198.4		2705.9	
February	3939.8	5.9	481.3	6.9	1247.5	3.9	2211.1	6.8	2711.4	2.3
March	3958.8		484.1		1251.3		2223.4		2715.9	
Chng Mar(92)/Mar(91)		5.8		6.3		3.9		6.9		2.2
Chng Mar(91)/Mar(90)		4.0		-4.9		2.2		7.4		-0.2

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	151.75		22.57		9.3		97.69		31.49	
November	151.75	2.2	22.27	-5.1	8.7	-28.0	98.29	3.8	31.19	1.8
December	149.06		21.81		8.9		97.29		29.96	
January 1991	146.98		21.57		7.6		96.75		28.66	
February	148.13	-7.8	21.81	-9.2	8.3	-33.4	96.72	-3.9	29.60	-18.4
March	148.40 *		21.69 *		8.4 *		96.93 *		29.78 *	
April	148.93		21.80		8.4		97.28		29.85	
May	149.47	4.4	21.86	3.2	8.5	19.4	97.56	3.3	30.05	9.2
June	149.96		21.93		8.5		97.94		30.09	
July	150.53		21.97		8.6		98.23		30.33	
August	151.02	4.4	22.03	3.1	8.7	11.5	98.43	3.6	30.56	7.9
September	151.63		22.09		8.8		98.72		30.82	
October	152.23		22.22		8.6		99.03		30.98	
November	152.77	4.9	22.18	3.2	8.7	1.5	99.41	3.9	31.18	9.5
December	153.62		22.21		8.9		99.76		31.65	
January 1992	154.09		22.33		8.9		100.04		31.72	
February	154.74	5.0	22.45	4.5	9.0	12.8	100.36	3.9	31.93	8.7
March	155.37		22.56		9.1		100.67		32.14	
Chng Mar(92)/Mar(91)		4.7		4.0		8.3		3.9		7.9
Chng Mar(91)/Mar(90)		-0.6		-6.4		-11.6		2.4		-5.4

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CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	1.026		0.839		0.187		0.920	
November	1.130	-26.8	0.769	-28.7	0.361	-19.0	0.906	-46.5
December	0.971		0.751		0.220		0.844	
January 1991	0.850		0.652		0.198		0.797	
February	0.989	-36.6	0.771	-28.9	0.218	-56.4	0.865	-22.5
March	0.951 *		0.743 *		0.208 *		0.843 *	
April	0.971		0.756		0.215		0.857	
May	0.993	29.1	0.775	31.6	0.218	20.7	0.886	26.0
June	1.010		0.789		0.221		0.911	
July	1.028		0.802		0.226		0.924	
August	1.018	15.8	0.789	14.3	0.229	21.1	0.912	15.9
September	1.039		0.808		0.231		0.918	
October	1.054		0.816		0.238		0.946	
November	1.076	18.8	0.834	18.1	0.242	21.3	0.962	21.1
December	1.091		0.851		0.240		0.981	
January 1992	1.102		0.860		0.242		0.997	
February	1.122	18.4	0.874	19.9	0.248	13.4	1.006	18.9
March	1.136		0.883		0.253		1.014	
Chng Mar(92)/Mar(91)		19.5		18.8		21.6		20.3
Chng Mar(91)/Mar(90)		-22.8		-18.5		-35.0		-31.6

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	134.8		110.8		174.6		420.2		379.6	
November	132.6	-21.1	113.9	9.8	169.3	-22.9	415.8	-13.4	375.9	-12.9
December	130.7		111.2		164.8		406.7		368.1	
January 1991	130.9		103.5		161.0		395.4		358.2	
February	130.3	-7.0	109.7	-15.8	155.1	-26.9	395.1	-17.8	357.6	-17.5
March	129.7 *		108.6 *		154.3 *		392.6 *		355.3 *	
April	129.5		109.4		155.6		394.5		356.4	
May	129.8	-1.9	110.3	11.3	157.2	1.1	397.3	2.8	358.6	1.7
June	129.7		110.8		158.9		399.4		360.5	
July	130.2		111.6		160.2		402.0		362.5	
August	130.1	2.0	112.5	8.9	160.9	10.3	403.5	7.1	363.2	5.9
September	130.6		113.5		162.3		406.4		365.1	
October	131.0		113.9		164.1		409.0		366.8	
November	131.5	3.6	114.4	6.4	165.7	11.5	411.6	7.5	368.8	5.5
December	131.9		114.6		166.9		413.4		369.8	
January 1992	132.5		115.3		168.5		416.3		371.7	
February	132.9	4.7	115.9	6.0	169.8	10.1	418.6	7.2	373.1	5.1
March	133.6		116.7		170.5		420.8		374.4	
Chng Mar(92)/Mar(91)		3.0		7.5		10.5		7.2		5.4
Chng Mar(91)/Mar(90)		-7.7		-1.2		-25.8		-14.1		-14.7

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	391.5		129.46		38.55		33.57	
November	392.0	0.4	116.32	-14.1	32.73	19.3	33.92	0.1
December	388.8		120.22		38.56		32.72	
January 1991	388.4		117.79		33.96		31.72	
February	388.5	-2.1	117.46	-13.9	33.71	-29.5	32.22	-14.4
March	389.1 *		117.27 *		32.98 *		32.44 *	
April	390.1		118.23		32.56		32.39	
May	391.8	3.0	117.46	0.2	31.88	-15.9	32.23	0.4
June	392.8		116.97		31.95		31.85	
July	394.2		116.97		32.23		31.89	
August	395.7	4.4	116.93	-2.1	32.17	1.1	32.14	0.1
September	397.6		116.85		32.26		32.47	
October	398.6		116.85		32.54		32.43	
November	399.9	4.2	118.43	1.4	32.73	6.6	32.64	5.0
December	401.3		116.69		32.95		32.61	
January 1992	403.0		118.49		32.91		32.78	
February	404.8	4.9	117.93	3.1	33.14	5.2	32.95	4.0
March	406.5		118.26		33.42		32.91	
Chng Mar(92)/Mar(91)		4.5		0.8		1.3		1.4
Chng Mar(91)/Mar(90)		0.8		-8.1		-5.2		-1.3

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	814.3		8.77		109.9		83.0	
November	816.1	-0.3	9.23	4.2	108.3	-7.4	81.6	-10.4
December	811.0		8.80		107.2		80.5	
January 1991	814.4		8.20		106.6		79.9	
February	816.7 *	1.5	8.54	-20.7	105.7	-9.0	79.1	-11.5
March	819.4		8.55 *		105.5 *		78.7 *	
April	822.0		8.61		105.7		78.7	
May	824.6	3.9	8.56	8.5	105.9	-0.9	78.6	-4.0
June	827.3		8.64		105.5		78.0	
July	830.6		8.61		106.0		78.3	
August	834.1	4.8	8.39	-4.9	106.3	2.8	78.4	0.5
September	838.3		8.49		107.0		78.9	
October	841.6		8.43		107.3		79.0	
November	845.2	5.4	8.57	4.3	107.5	4.2	79.0	2.4
December	849.3		8.76		107.8		79.0	
January 1992	852.5		8.63		108.1		79.1	
February	855.9	5.1	8.61	1.2	108.4	3.5	79.2	1.4
March	859.4		8.60		108.9		79.5	
Chng Mar(92)/Mar(91)		4.9		0.6		3.2		1.0
Chng Mar(91)/Mar(90)		2.0		-1.5		-3.1		-5.4

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	133.3		122.2		121.3		132.8	
November	133.7	6.9	122.8	11.3	120.6	16.1	133.1	2.8
December	134.1		122.1		118.9		133.3	
January 1991	134.6		121.9		119.3		134.0	
February	134.8	3.7	121.2	-2.8	117.2	-8.3	134.5	4.5
March	135.3 *		121.4 *		116.6 *		135.1	
April	135.6		121.6		116.8		135.4	
May	136.0	3.2	121.8	1.1	117.2	-1.8	135.7	3.7
June	136.3		122.1		117.5		136.1	
July	136.7		122.3		117.8		136.6	
August	137.1	3.4	122.5	2.1	117.9	0.3	137.0	3.7
September	137.5		122.7		116.1		137.4	
October	138.0		122.9		118.3		137.8	
November	138.4	3.7	123.3	2.4	118.7	4.7	138.4	3.8
December	138.8		123.4		118.9		138.7	
January 1992	139.2		123.6		119.2		139.1	
February	139.6	3.6	123.9	2.1	119.6	3.3	139.7	3.9
March	140.0		124.1		120.0		140.1	
Chng Mar(92)/Mar(91)		3.5		2.2		2.9		3.7
Chng Mar(91)/Mar(90)		5.1		3.6		3.0		4.0

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	139.1		112.9		134.6		150.2		110.7	
November	139.4	7.1	112.7	1.6	135.0	11.0	150.6	5.4	110.6	-1.0
December	139.5		112.6		135.2		150.4		110.5	
January 1991	140.1		112.5		135.3		151.2		110.4	
February	140.4	3.2	113.4	1.5	135.2	0.9	151.8	3.9	110.5	-0.5
March	140.8 *		113.6 *		135.2 *		152.5 *		110.5 *	
April	141.2		113.7		135.5		153.0		110.7	
May	141.5	3.2	113.8	2.4	135.7	1.5	153.5	4.5	110.8	1.1
June	141.9		114.0		136.0		154.0		110.8	
July	142.3		114.2		136.2		154.6		110.9	
August	142.8	3.4	114.4	1.9	136.5	2.3	155.2	4.5	111.1	1.2
September	143.2		114.5		136.8		155.8		111.3	
October	143.6		114.7		137.1		156.4		111.5	
November	144.1	3.7	114.9	1.8	137.5	2.9	157.0	4.7	111.6	1.9
December	144.5		115.0		137.8		157.6		111.8	
January 1992	144.9		115.2		138.0		158.2		112.0	
February	145.3	3.6	115.4	1.8	138.3	2.4	158.8	4.8	112.2	2.0
March	145.8		115.5		138.6		159.5		112.4	
Chng Mar(92)/Mar(91)		3.5		1.7		2.5		4.6		1.7
Chng Mar(92)/Mar(91)		4.6		1.0		4.8		4.7		0.6

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj
October	-10.99		141.5		5542		4173		-21.7
November	-8.91	-25.8	139.9	-4.4	5532	0.9	4155	-1.6	-16.2
December	-6.28		139.7		5499		4127		-11.3
January 1991	-7.00		139.0		5534		4129		-6.7
February	-7.17 *	55.4	140.5 *	0.5	5547	1.6	4125	-2.7	-3.7
March	-7.23		142.1		5559		4115		-3.4
April	-6.95		142.5		5588		4127		-1.8
May	-6.76	21.6	142.2	5.7	5605	4.2	4130	0.6	-3.6
June	-6.43		142.8		5620		4131		-6.7
July	-6.27		143.2		5660		4144		-9.5
August	-6.51	12.8	143.4	2.6	5697	7.1	4158	3.3	-10.8
September	-6.68		143.7		5749		4185		-11.4
October	-6.53		143.4		5764		4184		-10.6
November	-6.27	8.9	143.8	1.0	5799	7.1	4192	3.1	-10.8
December	-6.21		144.2		5838		4209		-12.4
January 1992	-6.46		144.6		5852		4207		-12.9
February	-6.28	0.4	144.9	3.1	5886	5.9	4214	1.9	-13.7
March	-6.25		145.2		5914		4222		-14.2
Chng Mar(92)/Mar(91)		13.6		2.2		6.4		2.6	
Chng Mar(91)/Mar(90)		17.5		-2.3		5.0		-0.7	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	83.43		163.4		8.86		168.05	
November	82.12	-19.0	168.2	11.1	8.50	-11.4	172.21	-21.1
December	83.35		165.3		8.24		179.57	
January 1991	83.51		163.9		8.27		177.95	
February	82.12	3.1	160.7	-9.1	8.03	-15.3	197.75	49.5
March	85.17 *		160.5		8.26 *		199.10 *	
April	85.98		161.7		8.14		205.51	
May	85.53	11.5	161.2	0.3	8.02	-5.6	206.82	36.9
June	86.21		162.6		8.05		209.43	
July	85.76		161.7		8.09		206.24	
August	84.71	-6.0	161.5	2.2	8.07	1.2	203.94	-5.2
September	83.27		164.9		8.12		203.40	
October	83.84		164.8		8.16		203.66	
November	84.46	-0.7	166.7	10.0	8.22	6.2	206.04	2.8
December	84.97		168.4		8.27		208.11	
January 1992	85.59		169.8		8.32		210.18	
February	86.64	9.2	169.6	7.2	8.35	7.0	211.72	9.4
March	86.67		169.1		8.40		209.94	
Chng Mar(92)/Mar(91)		1.8		5.4		1.7		5.4
Chng Mar(91)/Mar(90)		-9.5		-2.4		-3.5		8.4

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	318.0		821.2		3325.2		8.11		7.16	
November	320.0	9.5	823.3	4.4	3325.8	3.2	7.83	-4.0	7.05	-16.3
December	322.0		825.4		3330.5		7.31		6.70	
January 1991	326.9		826.7		3333.4		6.91		6.28	
February	332.2	14.9	836.4	5.5	3357.3	3.4	6.25	-53.1	6.20	-35.6
March	334.9 *		840.3 *		3375.2 *		6.08 *		6.25 *	
April	337.1		844.5		3391.6		5.82		6.11	
May	339.6	10.2	847.9	6.6	3408.4	6.4	5.83	-31.4	5.96	-12.6
June	341.7		851.2		3423.5		5.86		6.04	
July	343.8		854.3		3440.8		5.95		6.17	
August	345.9	7.9	857.8	4.6	3457.5	5.9	5.93	10.4	6.23	13.2
September	348.2		860.5		3472.8		6.07		6.28	
October	350.3		864.3		3490.3		6.12		6.25	
November	352.7	7.9	867.8	4.7	3506.7	5.9	6.17	13.1	6.29	3.9
December	354.8		870.2		3522.8		6.22		6.32	
January 1992	356.2		873.5		3538.4		6.21		6.36	
February	358.5	6.7	876.1	4.1	3553.7	5.5	6.28	7.3	6.41	7.6
March	360.4		879.0		3570.6		6.35		6.44	
Chng Mar(92)/Mar(91)		7.6		4.6		5.8		4.4		3.0
Chng Mar(91)/Mar(90)		10.4		4.4		3.2		-26.6		-20.4

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	9.53		7.49		7.98		8.06		10.00	
November	9.31	-4.5	7.16	-3.6	7.85	-3.3	7.98	-4.4	10.00	0.0
December	9.05		7.09		7.80		7.82		10.00	
January 1991	9.04		7.08		7.10		7.17		9.52	
February	8.83	-15.1	6.91	-11.9	6.49	-48.0	6.60	-47.4	9.05	-28.7
March	8.90 *		7.07 *		6.48 *		6.55 *		9.00 *	
April	8.73		6.97		6.22		6.39		8.78	
May	8.61	-11.8	6.88	-6.7	6.17	-28.3	6.28	-25.9	8.50	-23.5
June	8.60		6.85		6.08		6.18		8.50	
July	8.68		6.93		6.12		6.21		8.50	
August	8.73	3.9	6.98	4.9	6.11	-0.6	6.22	-3.8	8.50	-4.3
September	8.78		7.04		6.21		6.24		8.50	
October	8.89		7.13		6.26		6.31		8.50	
November	9.02	12.3	7.25	14.3	6.31	10.6	6.38	10.0	8.50	0.0
December	9.05		7.28		6.34		6.43		8.50	
January 1992	9.12		7.35		6.35		6.55		8.79	
February	9.12	9.4	7.37	11.7	6.39	5.6	6.59	13.2	9.00	21.8
March	9.33		7.55		6.43		6.58		9.00	
Chng Mar(92)/Mar(91)		4.8		6.8		-0.8		0.5		0.0
Chng Mar(91)/Mar(90)		-5.0		-3.0		-21.7		-21.6		-10.0

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